

Grand Trunk Railway of Canada.

VERBATIM

REPORT OF THE PROCEEDINGS

AT THE

ADJOURNED

HALF-YEARLY GENERAL MEETING,

HELD AT THE

LONDON TAVERN, BISHOPSGATE STREET,

LONDON,

On THURSDAY, MAY 30th, 1867,

IN PURSUANCE OF THE FOLLOWING ADVERTISEMENT:—

Notice is hereby given that the Adjourned Half-Yearly General Meeting of this Company will be held at the London Tavern, Bishopsgate Street, London, E.C., on Thursday, the 30th inst., at One p.m. precisely.

By Order,

EDWARD W. WATKIN,

President,

JOHN M. GRANT,

Secretary.

May 22nd, 1867.
21, OLD BROAD STREET,
LONDON, E.C.

LONDON:

WATERLOW & SONS, PRINTERS, CARPENTERS' HALL,
LONDON WALL.

1867.

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HELD AT THE LONDON TAVERN, BISHOPSGATE STREET,
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E. W. WATKIN, Esq., M.P., President of the Company,
in the Chair,

The CHAIRMAN, in commencing the business, said : I think it will be convenient, before I trouble you with a few observations, to ask Mr. Grant, the secretary, to read *in extenso* the report which we have sent out, to refresh our remembrance.

The SECRETARY then read the Directors' Report of the 22nd of May last.

The Chairman then rose and said : I will ask your attention for a short time, while I endeavour to explain a little more in detail than it was possible to do within the limits of that report, the reasons which have induced the Committee of share and bondholders, and the Directors to lay this financial scheme to-day before you. I shall ask you to be good enough to direct your minds to the report itself, and not to any of those anonymous criticisms and statements which, unfortunately, certain parties connected with us are always so fond of circulating. The object of the proposal is to increase the net profit of your undertaking. We have reported to you on many former occasions that we were approaching the point when the amount of plant at our disposal was insufficient thoroughly to develop the traffic which the country afforded, and therefore to maximise the amount of

net profit which the undertaking was capable of yielding. I must ask you to be kind enough to keep that point, which is the initial point of the discussion, clearly in your minds. If we are right we have about reached the point when, without an additional supply of engines, carriages, and wagons, we cannot materially—I don't say we cannot at all—but we cannot very materially enhance or increase the net profit of the undertaking available for paying the interest on the various classes of our bonds. Now, if that is a fact, and we believe it to be a fact, any gentleman accustomed to railway affairs and discussions can work out the calculation for himself, by seeing what the net profit of the various undertakings is in relation to the quantity of plant possessed by those undertakings. That, therefore, being a fact which no one can contradict, the question is, how are we to obtain this additional supply of plant to enable us to earn the additional profit necessary to pay the interest on the whole of our bonds. First of all, let us see whether there is any division of interest amongst us with regard to achieving this result. With regard to the postal and military bondholders, practically speaking, so long as they are in their present position they have no interest whatever in the matter. With regard to the other classes of bondholders, clearly every one of them will be benefited by an increase in the net profits of the undertaking. This concern, like every other railway or business whatever, is worth so many years' purchase of what may be taken as its average annual net profits, and the more the net profits of the Grand Trunk the better it is for the securities, and for the price of the property as regards every one of the classes of bonds. It is true that the first preference bondholder may say, "You have paid me, and what interest have I beyond that?" But certainly the first preference bondholder will see that if there is a large margin of net profit, he has a far better security, and that the price of the bonds must rise in the market, because every one sees that the security has improved. With regard to the second, which was not paid last half-year, clearly he has an immediate, direct, and permanent interest in increasing the net profit. With regard to the third and fourth, the argument and the necessity are even still stronger; while with regard to the old stockholder whatever may be reserved to him, he, too, has an interest in the increase of net profits. Therefore, I say again, that every one of the classes of bondholders, except the postal and military, have a distinct interest in achieving an increase of the

net profit of the undertaking. Coming to that point, let us see, while we are promoting the interests of everyone by increasing the net profits, if this scheme will do injustice to anyone by the mode in which it is constructed. Beginning at the beginning, the postal and military bondholders, as you are aware, have for their security the postal and military revenue, no more and no less. I have always told you from the beginning that I thought it was a very dangerous, a very unwise, a very—I was going to say unhealthy; but you will see the idea in my mind—unwise position for this concern to be placed in—that a portion of its revenue should be assigned to particular parties. It seems to me that it was setting up an interest to some extent hostile to the undertaking; that it was taking out of the hands of the remainder of our constituency the management, and, practically, the control, of part of their business, and that, inasmuch as it was in all probability an increasing amount, it was desirable, if we could, some day, to get rid of that particular form of mortgage upon the undertaking. In the scheme which we are now bringing forward we have endeavoured to reconcile the interests of every class of bondholders with the fair interests of the postal and military bondholders. We have told you that the postal and military bondholders will, in this year, 1866-7, get 4 per cent., but it is only fair to say that they get this 4 per cent., partly in consequence of the large increase of military service caused by those unfortunate Fenian outrages; and I think if there is anything which will strengthen my position that it is desirable to close this form of mortgage, it is, that that which is a misfortune to the rest is a benefit to the holders of these bonds. I believe on the average from the beginning that they have got something like 3 per cent., excluding the first few months. By this scheme you will perceive that the postal and military bondholders would get £3. 12s. per cent. But their income, if we are right, is a constantly increasing income, and in my opinion must largely increase when the Intercolonial Railway is made, and the Grand Trunk becomes part of a Great Eastern and Western route. Being an increasing amount, the question is this—Is this 12s. per cent.—more than may be taken as the average, or 8s. less than this year—too much to pay for getting rid of this kind of mortgage, and throwing the postal and military revenue into the general security of the other bondholders? This is a question which I should like gentlemen present to discuss

and fairly consider. We have all one interest—we are honest men, and we can discuss this question with calmness and propriety. I invite a thorough ventilation and discussion of the question. Is this too much to pay for doing that which every one will see is desirable to do, if the terms of doing it are just and right. I will go now to the position of the equipment mortgage bondholders; but before doing so I will ask the Secretary to read the clause defining the security under which their bonds were issued. It is clause 3 of the Arrangement Act of 1862.

The SECRETARY read the clause, which runs as follows:—
 “The company may, from time to time, raise, by the creation and issue of bonds, any sum or sums of money not exceeding in the whole five hundred thousand pounds sterling, such bonds to be called equipment mortgage bonds, to be redeemable at periods not exceeding fifteen years from the thirty-first of December, one thousand eight hundred and sixty-one, and to bear interest not exceeding six per cent. per annum, and to constitute a first charge or hypothec, both for principal and interest, upon and over all the company’s railways, works, rolling stock, and other plant, prior to all other charges of hypothecs thereon, and the money so raised shall be applied to the providing of additional sidings, wharfage, station and storage accommodation, elevators, rolling stock, and other plant, or to some one or more of such objects.”

The CHAIRMAN continued: Then, gentlemen, if you authorise us to-day to go to Parliament for this optional measure we should exactly keep that clause, but we should add to it the further words:—“That in addition to this security there should be the postal and military revenue as further security for these equipment mortgage bonds.” That is to say, the equipment mortgage bondholder would have every security he has now, and in addition the £40,000, £50,000, or £60,000 of revenue which now must go to one particular class. Therefore the position between the two is this: The postal and military bondholder for 12s. per cent. more than the average, gives up entirely any increase of revenue beyond that, and throws into the common pot the special security he has got, taking, in point of fact, 7-17ths, instead of the whole of it. Let us assume for a moment that it is £50,000. At present that £50,000 belongs to him and to no one else. It is now proposed that he shall throw that £50,000 in the general pot, and take his share, which would be 7-17ths instead of the whole of it. The equipment bondholder would have that large amount of

revenue thrown into his security, but the amount of the bonds would be increased from £500,000 to £1,700,000. To that extent the total interest upon those equipment bonds would be damaged, providing the net revenue did not increase; but here let me call your attention to the initial point. First, it is necessary to increase the net profit; secondly, that can only be done by addition to the plant; and thirdly, that can be done only by additional capital. That brings us to the point that if we are right the increase of net revenue will be so large that the position of the equipment bonds must clearly, in every sense, be improved and benefited. With regard to the first preference bondholders, I say, then, that the increase of the net revenue of the line must in every way be to his advantage. That is almost a self-evident proposition. To the other classes of bondholders it is of vital importance. I would appeal to the first preference bondholder to consider for a moment that, although no doubt he is entitled to his interest, and to object if he thinks he is to be burdened with any prior charge either certain or contingent, that this is a concern in which we are all partners, and if anything can be done which, without injuring him, will benefit the rest, I think he is bound in good feeling and kindness to make some little concession in order that it may be done. I think the first preference bondholders will look at the matter in this light. Now, let us see whether two propositions, very material to this argument, are correct or not. One is the anticipation in this report that the postal and military revenue may in a reasonable period, say of five years, increase one-half in excess of the income of 1866-7. In that case it would, with the £30,000 now paid to the equipment bondholders, amount to £102,000 a-year, or to a sum per annum just equal to what would be the interest on the total amount of the equipment bonds if our scheme were adopted. In that case, what complaint could any one make, five years hence, of having a pre-preference put over him? If we are wrong in our calculations show us how; but if we are right, I wish to know where, five years hence, there will be any ground of complaint whatever? Let us now look to the intervening period of five years. There was a proposition made, and I was ready to entertain it, but others took a different view, that this increase of interest to the postal and military bonds should be suspended for two or three years, so as to give time by the construction of the Intercolonial Railway to make it absolutely and entirely certain that the increase of net profit would be larger than any increase of interest on these new

bonds. But let us look at the intervening period. Are we to suppose, if we get a supply of new engines and carriages, and can do more traffic, that the revenue is to be stationary? We cannot suppose anything of the kind. Any gentleman may make this calculation for himself. Look over the accounts of our English railways, and you will find that every engine worked earns in gross revenue twice its original cost; and taking the English rate of working expenses, rather more than its original cost every year—that is to say, if an engine costs £2,000 and you divide the total traffic by the number of engines, the result will be something over £4,000 of gross profit and something over £2,000 of net profit. Take your own accounts. You have 298 engines, so you can make the calculation for yourselves; and you will find that each engine, in gross money, covers about twice its cost, and in net money it covers its whole cost in 14 or 15 months. Now if you throw 50 engines into the concern at a cost of £2,000 each, it seems pretty evident that it must increase your net revenue. It would produce something like £90,000 or £100,000 a year; and therefore the thing to my mind is obvious that providing these engines must result in a large increase of the net income of the company. Therefore, I don't think that for the intervening period there need be any cause to fear. But, gentlemen, going back to the proposition that it is necessary to increase the net profit, and that the increase can only take place by larger means of carrying traffic, all we have to say, as a board, is that if any gentleman can show a better scheme than ours, we are not wedded to our own proposal. The committee we consulted represented something like, with the holding of the directors, £4,000,000 of the various holdings of the company, and therefore they were not likely to be prejudiced, or to do anything rash or dangerous to any one. But if any gentleman can suggest a better scheme let us have it discussed to-day, and if better we shall be only too glad to adopt it. In addition to that I am instructed by the directors to say that, so anxious are they to avoid the slightest matter of complaint, that if there were, not a majority against the adoption of the report at this meeting, but if there was a decidedly expressed opinion even from a minority that this was not desirable, we should withdraw it, and should not under the circumstances contemplated go to the Canadian Parliament. Our only desire is to pay interest on every class of the bonds as soon as we can. We have suggested the means and the machinery for doing it, and by which

we believe you will be able to raise the necessary capital. We ask you whether you concur with us in thinking this mode desirable. If you do not, let us postpone this scheme and wait to watch the development of events in Canada, hoping that the construction of the Intercolonial Railway may throw some light on our affairs, and show advantages which we do not at present see. But if you, on the other hand, think that this scheme which we have so carefully considered is one which, on the whole, meets the case, then we ask you not to adopt it, but to permit us to obtain permissive legislation. What we further propose is that if that legislation is granted by this, the first Parliament of confederated Canada, that we shall bring the bill to you here and invite your consideration of it by each class of bondholder separately, (Hear, hear.) We propose that a majority of three-fifths of each class, taken separately, shall be necessary before the bill comes into operation. What other course could be taken? If we had not brought a financial scheme before you, under such circumstances, I think we should have been open to blame. Now that we have brought such a scheme before you, it is for you to discuss it and to advise us what is best to be done. Let us then act together in harmony in carrying out that which is determined to be the best thing to be done. In order that no mistake may be made and that no man may have any grievance or complaint, we say distinctly that we will merely get permission to do this. We will then call together each class of bondholder to look at it with the eyes of his individual position, and to say whether it shall be adopted or not. Under these circumstances, I do not think I need trouble you with any further observations beyond this single word, that, of course, if we get power to raise this money, we do not propose to lay it out all at once. We shall do it gradually, feeling our way and increasing the plant in proportion as we see the net profit increasing day by day. We are not going to rush into any speculation or take any course which is not a cautious one. We shall carefully watch the development of net profits, and throw in an additional supply of plant as we see additional traffic requiring it. The resolution I shall move is as follows, and I may here say that the words are somewhat altered from those used in the resolution of the committee.

A SHAREHOLDER: But before reading the resolution will you say why you propose to change the name of the company?

The CHAIRMAN : I will do so, but perhaps having gone so far it will be as well to settle this matter first. The resolution I shall move is a little altered from that stated in the report, owing to some of the words there causing doubt in the minds of the equipment bondholders as to their present security. I thought on reading over those words that they were liable to the charge of not being sufficiently definite, and therefore the resolution will now read as follows :—

“That powers be applied for in the ensuing session of the Canadian Parliament to convert the postal and military bonds, (say) £1,200,000, into equipment mortgage bonds, at a rate equal to 60 per cent., or (say) £720,000 of equipment mortgage bonds, bearing a fixed rate of interest of (say) six per cent., and to raise a further sum of £480,000 equipment bonds for the purposes of the company : the whole issue of these equipment mortgage bonds then being £1,700,000.—The postal and military revenue being added to the income and security possessed by the equipment mortgage bondholders under the Act of 1862. That the Act be subject to the consent of three-fifths in value of the postal and military bonds, and of three-fifths in value of each class of bonds and stocks represented (personally or by proxy) at meetings specially convened for the purpose. Also, that powers be applied for to change the name of the Company to ‘The Canadian Railway Company.’”

That resolution now entirely carries out what I have stated. If it is passed, we shall have made I think a fair, just, and beneficial settlement with the equipment bondholders, in your interests. We shall have got power to raise £480,000 to increase the net profit of the undertaking, and I believe we shall have got powers most valuable and useful in regard to the future of the undertaking. Now, the other object we proposed in the Bill was to change the name of the Company. My friend here has asked the reason why. We do so for this reason. The Intercolonial Railway will be opened, I hope, within the next three years. When that is opened there will be an entire unbroken link of communication from Halifax, on the Atlantic, to the western boundary of Canada. The whole country is to be called Canada. The names of Nova Scotia, New Brunswick, and Upper and Lower, as applied now to Canada, are to be abolished. The whole of this enormous piece of the American Continent is to be called Canada. We thought it better, under these circumstances, instead of having three pieces of railway—one

the Intercolonial, another the Grand Trunk, and the third the Buffalo and Lake Huron—to call the whole thing the Canadian Railway, adopting the name of the country. I don't say there is any magic in the name, but I think it is a more modest and appropriate title, and one which will cover the whole undertaking. I think on the whole you will not think that to be an unwise proposal. I will now move the resolution which I have read, and I am most anxious to hear the observations of the bond and stock-holders on the question.

Mr. VILLEBOISNET thought that information should be given to the meeting as to the £25,000 advanced by Messrs. Baring and Glyn. He wished to know on what terms that sum had been procured. With respect to the proposals submitted to the meeting, he had heard similar arguments used by the chairman on many former occasions. The shareholders were too old and experienced to imagine that the raising of half-a-million additional capital would bring traffic to the line. The proprietors were willing to exercise forbearance with respect to the receipt of dividends, but forbearance had its limit, and he did not see how the Company was to be extricated from the difficulties surrounding it. He did not think the traffic of a nature to require any increase of capital. (Oh, oh.)

Mr. SMITH accepted the invitation of the chairman to discuss the question before the meeting in a fair and liberal spirit. He had sufficient confidence in the board to believe that they would not recommend the step they had unless they believed the new capital to be imperatively necessary. He could not, however, concur in the proposition submitted by the board, and thought it would be exceedingly unwise to go into the market proposing to raise £500,000 additional capital, when they showed that the issue of these bonds was connected with first preference obligations, not for one-half—but for one and three-quarter millions. He thought it would be a financial blunder to do that, as they would not in such case be in a position to sell the £480,000 equipment bonds for the same price as if they formed part only of one million of equipment capital. The proposed departure from the Arrangements Act of 1862 would, in the present excited state of the public mind with respect to railway property, be exceedingly unwise. The postal and military bondholders obtained more than they had agreed to take by virtue of that arrangement, as they got the military as well as the postal receipts, and they had them secured to them for ten instead

of for five years. (No, no.) He protested against any disturbance of that arrangement. He did not entertain any very sanguine idea as to the additions which might be made to the military receipts, as he believed that after the Fenian fooleries were over, and the Confederation scheme was carried out, there would be no great increase. He not only objected to the principle of the thing, but also to the details, which he thought had not been fairly worked out. The military bondholders had received for the last three years something like 3 per cent. and it is now proposed to give them a first claim on the Company, taking their bonds from them at 60. The first preference bondholders were entitled to 6 per cent., but taking only 5 per cent. that security is now worth in the market only 55; yet they were asked to give 60 for 3 per cent. securities, which securities were to be placed before them. After having with great deliberation come to and adopted every sort of compromise, they now found some *Deus ex machinâ* put up to interfere with the existing arrangements. It was said that this was to be only a permissive bill, but they all knew what this meant in railway legislation. A permissive bill meant practically a compulsory one. If the plan were to be settled by the consent of the postal and military bondholders, they, of course, would have no objection to it. It was a very good arrangement for them. He felt satisfied there was considerable danger in disturbing the existing arrangement, and felt confident that by adopting it they would not only stultify themselves, but be sanctioning a most unusual and unjust financial measure. He proposed, therefore, to move as an amendment, "that the proposal to convert £1,200,000 postal and military bonds into £720,000 equipment bonds be not adopted."

Mr. CLIFTON seconded the amendment.

Mr. MOXON would have been better pleased if the Directors had mentioned the names of those gentlemen who were called upon to act as a committee and confer with the Directors, and who had sanctioned the proposal now before the meeting, and would like to know the amount and description of stock which they held in the concern, and whether they were gentlemen who had any experience in railway management. He quite concurred with Mr. Smith, that it was very dangerous ground which they were now treading, and thought it would be better that the matter should be postponed until the regular meeting in October next, when all would be able to

know more fully the position in which they were placed. (Hear, hear.)

Mr. HANCOCK said that he held some equipment mortgage bonds, and had been induced to purchase them by a statement circulated with the prospectus, that they were a first and prior charge to all others upon the railway and works, rolling stock, and other plant. It was upon the faith of this statement that he had taken the bonds, and but for that he would not have invested a shilling in the concern. By the proposal now before the meeting this priority and security would be entirely taken away. Another reason which induced him to take the bonds was that the whole amount of them was comparatively small, but he was now asked to admit a large number of other persons to come in and share with them. (Hear, hear.) He thought it a most unreasonable proposition. If subsequent bondholders were willing to admit this new priority over them, he of course had no objection; that was their affair and not his. He thought that their position should be strictly maintained.

Mr. CONYBEARE objected to both the principle and details of the measure. The only redeeming point in the proposition was that each class of bondholders was to have the right of expressing their opinion upon it, and it was not to be acted upon without the sanction of three-fifths. He objected also to the arrangement of merging the postal and military bonds into one larger sum, and would have preferred that they should have stood alone to tell their own story. He dissented from the proposal to change the name of the railway; and to adopt that suggested by the board would be to ignore the existence of the Great Western Railway of Canada, which was a well-conducted line.

Mr. DUCKETT suggested that before carrying out the proposal the board should apply to the Canadian Parliament to see whether they would not take the concern off their hands altogether. (A laugh.) He thought that such a proposal would test the sincerity of those who were in the habit of expressing such sanguine opinions as to the future of Canada.

Mr. FILDES, M.P., concurred in the suggestion which had been made, postponing the decision upon this subject till October, as by that time they might be in a position to determine what better course to pursue. One of the speakers had said that the meeting ought to have some information with respect to the traffic which was to be obtained in return for

this expenditure. If he had read Mr. Brydges' report he would have seen ample evidence on this point. He (Mr. Fildes) always looked upon it as a good sign when a railway wanted additional rolling stock. Increased business and traffic in the case of the Grand Trunk meant increased profit. In the past five years the traffic had increased $47\frac{1}{2}$ per cent., while the working expenses had decreased 19 per cent., leaving of course a very considerable profit to the Company. Mr. Brydges gives in his report his reasons for believing that with increased rolling stock large additions to the revenue might be obtained. The only wonder to his mind was that with such insufficient means at his disposal the general manager should have been able to add so largely to the business carried by the line, and should have been able to reduce the working expenses from 79 to 60 per cent., and increase the profits by a sum of £347,000. If they could hit upon some plan by which they would be enabled to raise capital to provide rolling stock, and with the traffic of the Intercolonial Railway brought upon the road, with the agreement just entered into with the Great Western of Canada, which would largely help the traffic of the Grand Trunk, he thought the result would be most satisfactory. If they would not provide rolling stock nor the means by which they could be equipped, they could not complain if the working of the line should be unsatisfactory. The Directors might fairly reply to any complaints upon that head, that they wanted rolling stock and they refused to give it to them. If the means of doing the work were denied to the Directors, it was not possible for them to make dividends for the proprietors. (Hear, hear.)

Mr. NEWMARCH, referring to the observation made by Mr. Smith, said that that gentleman was not quite accurate in his statements respecting the Arrangements Act of 1862. It was a distinct part of the scheme that the postal and military revenues should be given to all classes of creditors. The arrangement was that they should take a certain number of shillings in the pound of their claim in these bonds, and for the remainder a certain number of shillings in the pound at a certain price of fourth preference stock, and that in return for these the creditors should give up a certain amount of the Company's securities which they held. With regard to the disturbance of the settlement of 1862, it should be borne in mind that when that settlement was come to, nobody expected a civil war in America which would last four or five

years. It was that which had disconcerted all the anticipations and finances of this Company. He was quite within the mark when he said that nearly the whole of the money which the Company had received from equipment bonds had been as good as lost to the Company, not by extravagance or neglect, but by the loss incurred on the American exchange. The working capital raised five years ago had not been capable of being applied to the purposes for which it was intended, because the American war had inflicted loss upon the Company of over £300,000. Another point was that when the settlement of 1862 was made there was every probability, looking to the negotiations then in progress, that the Intercolonial Railway would have been commenced in 1863, and would have been finished before this, and in that case the Grand Trunk would have profited largely by the completion of that work. (Hear, hear.)

Mr. CREAK had some difficulty in understanding the position of the question before the meeting. If he voted for the amendment of Mr. Smith he should be dealing only with one portion of the scheme proposed. If the amendment was carried it would not be possible to raise the £480,000 required, and if that could not be raised what then would be the position of the Company? It was all very well for gentlemen to come down and propose amendments which would throw directors, who had consulted together upon the subject, upon their backs, and not submit any other plan for their approval. (Hear.)

Mr. SMITH explained that he had no objection to the raising of £480,000, but he objected to mixing the scheme up with one for the conversion of the postal and military bonds as proposed.

Mr. CREAK, in reply to the explanation, answered that it was impossible to raise £500,000 on equipment mortgage bonds, unless they were prepared to alter the arrangement of 1862. If this could not be done, was Mr. Smith prepared to take every penny of net revenue until the Company were supplied with a sufficient amount of rolling stock, and the line put into good working order? (Hear, hear.) If he was not prepared for that, he did not see what advantage would result from negating the proposition of the Directors. If the proposal were rejected, he should certainly protest against the payment of another penny to preference holders until the line were put into thorough working order. (Hear, hear.)

Mr. THOMAS BARING, M.P.: I do not wish to anticipate any answers that may be given to the questions that have been asked, as they will be given much better by my hon. friend the Chairman. I only wish that the meeting should perfectly well understand that the present proposal is not one submitted by the postal and military bondholders. I believe their interest would be not to adopt it. I do not think there is any concession to the postal bondholders in the proposed arrangement, excepting the conversion of what is now an unsaleable into a marketable security. They are, to a certain extent, sure of the same amount of dividend, which you cannot take from them or lessen. (Hear.) Their interest must be paid, and in this respect they stand in a better position than any other class of bondholders. Mr. Smith has stated that the postal and military bondholders got more than they had agreed to take. He said they were, in the first instance, postal bondholders, and were not entitled to the military subsidy. If the hon. gentleman will refer to the resolution of the committee, he will find it there stated that "both the postal and military subsidies should be set apart as a means by which relief was to be sought from the burden of judgment and other debts," and I find the name of Mr. Smith attached to that recommendation. I think, therefore, it was a mistake on the part of that gentleman to say that the postal bondholders had got more than had been agreed to give them. (Hear, hear.) If we are all agreed that no more money is wanted, then I think we are quite right in negating this resolution, or any other which is proposed to raise money; but if they attached confidence to the report of Mr. Brydges, it was clear that our traffic receipts and revenue could not be increased without further outlay to provide additional locomotive and other stock. How is that to be provided? If you can raise the money by other means, I should like to hear what the plan is. I do not attach any particular importance to the plan now proposed, and shall be happy if you can raise the money by any other means. If we can raise the money wanted, then I think the meeting would be perfectly justified in not accepting the proposal submitted, and the Directors would be quite willing to exclude any arrangements with the postal and military bondholders. One gentleman has suggested that we should postpone the consideration of the scheme until the autumn. If we do that there can be no increase of revenue until next year. If you postpone it till then you cannot get the sanction of the legisla-

ture of Canada, as Parliament will have adjourned, and they could not commence their work nor make agreements for the traffic until next year. You are no doubt in a position of some difficulty, but in order to extricate yourselves I do not think that you will by this proposal confer any boon to the postal and military bondholders. (Hear, hear.)

Mr. BARROW analysed at some length the reports of the past half-year, and contended, in opposition to the statement of Mr. Brydges, that the undertaking had not been benefited by the accession of traffic which had taken place since 1861, and moved that the further consideration of the question be adjourned.

Mr. CLIFTON seconded the amendment.

Mr. SALISBURY considered the objections taken by Mr. Smith unsound and invalid ones, and suggested that he should withdraw his amendment and let the resolutions of the directors go to the meeting, and throw the responsibility of the act upon the board exclusively. He could not see, he confessed, any other mode by which they were to get the money required. Whether the meeting voted either for the resolution or for the amendment, they would be equally adopting the principle of unsettling the provisions of the Arrangements Act of 1862.

Mr. ADAMS suggested that as there was a great difference of opinion it would be better to withdraw the resolution. He objected to giving to insolvent companies power to raise money. They might give the powers, but no power in the world could get them the money. The very fact of their going to Parliament to alter the Act of 1862 was sufficient to destroy the credit of the Company. (Oh, oh.) The Chairman had said that if they could get an engine for £2,000 and send it over to Canada, it would earn £2,000 a year. If that were so, let them send a million engines by all means; they would soon get rich. As he did not see where the traffic was to come from for this new rolling-stock he approved of the proposal for adjournment, in order to enable the Directors to submit some details on the subject.

Captain TYLER, R.E., said that he was one who had received an invitation from the Directors to meet and confer with them, and in reply to the gentleman who had asked what were the holdings of the persons who had been consulted, he stated that he held more than £11,000 of second preference bonds, in addition to some other small amounts.

When the subject was under discussion, he expressed an opinion that so far as the market value of the property was concerned it was really in a worse condition than it ever was—and he stated that in his opinion it was not the time to create any preference charge in any shape or way. At the same time he could not see how the money which was required could be raised except by the plan now proposed, and the question before the meeting practically was whether it was most desirable for them to have the money or leave undisturbed the settlement of 1862.

The CHAIRMAN: I do not think we have wasted time in ventilating and discussing this subject as we have. This is a proposition not, as has been said, of the Board of Directors alone, but proposed in accordance with your own suggestions when we met at the half-yearly meeting. Therefore, though your Directors do not in any way seek to shirk the responsibility under which they ought to be for any proposition laid before you, still they wish to represent that they have taken every means to get the best and most impartial counsel in discussing the subject. My friend Mr. Moxon has asked who the committee were. We proceeded on the principle of taking thirty of the largest holders of the different kinds of stocks; and I stated that the total amount of money represented—I find that every stock of the Company was about equally represented—was about £4,000,000. It was a most impartial representation, and of those gentlemen who were summoned a considerable number attended. It would not be right to divulge the holding of any particular gentleman, but I am ready, if Mr. Moxon wishes, to show him the names of every one of those gentlemen, and the total amount of money held. If I ask him to look over that list presently (handing Mr. Moxon a paper), he will see that it contains the names of gentlemen about as substantial, and as able, as any that could be named. (Hear.) Now, with regard to the scheme itself, I think it has been, generally speaking, admitted, though one or two have taken a contrary view, that it is necessary to increase the amount of plant available for the development of the traffic of the company. Two gentlemen, who rather entertain a contrary opinion, doubt whether the traffic is there. But will any practical man tell me how you are to have traffic first, and have the plant to work it afterwards? Are we to get a passenger to come and build on your line in the hope that it will be able at some future time to carry him? Can you

ask a man to store his corn, and wait till you get engines and waggons to carry it away for him? Or, are you not rather to watch the progress of your own traffic, see what your customers are doing, ascertain where a connection may be got, and, having satisfied your minds on those points, get the means of doing the work there is to do? (Hear, hear.) What means have we taken? I will not speak of myself, because Mr. Villeboisnet seems to think I don't know anything about the affairs of the Company. ("Hear, hear," from Mr. Adams.) Mr. Adams seems to sympathise with that remark. (A laugh.) But really the Directors had taken every possible pains to ascertain whether there was traffic or not. You have some insight into this matter by reading the figures representing the progress of the last five years. I say that the rate of increase is remarkable. If you find that in five years you can increase the total traffic $47\frac{1}{2}$ per cent., you have a fair criterion of what the increase may be in the future, provided you have the means of doing the work. But we sent over for Mr. Brydges, and went into the question with him. He made a report, which was sent to every share and bondholder. Mr. Brydges attended here, and after a three hours' discussion, I maintain that the whole subject was turned upside down, and sifted in every possible way. Here is Mr. Brydges' opinion. He says:—

"I know how difficult it is to deal with figures in such a case, but I have every confidence—from the figures which I have already referred to, and from my knowledge of the traffic of Canada, and of the 'through business,' which is so urgently and persistently pressed upon us—that the providing of £200,000 worth of additional rolling-stock would within a reasonable time raise our weekly receipts—which in the last five years have risen from £17,700 a week to £26,092—to an average of £32,000, or say, £6,000 a week, as against a rise of upwards of £8,000 in the last five years."

It is upon that careful consideration of the subject, and upon that report from a practical man who discusses the whole subject with you, that we have brought a financial scheme before you. No one can accuse the board of having gone hastily or negligently into this matter, or of having proposed a scheme to you, without the conviction that the traffic was there, provided we have the means of doing the work. I am not one of those who think Canada is going to be stationary, I believe that now the confederation is consolidated, Canada will be highly

progressive in every sense. I believe there is now a future before the Grand Trunk and other undertakings which have before been so profitless. That is my opinion, but of course every gentleman can form his own. But here we have brought a plain practical proposition. I think the great majority of opinion is that we ought to have more plant in order to make a considerable and progressive addition to the net revenue. Now the question comes, is this an opportune moment to raise new capital? We tell you in the report that we do not think it is an opportune time to raise money, and we tell you distinctly we do not propose to raise money till the proper time. We merely ask you to enable us to go to the Canadian Parliament to get power to do so when the time is opportune. But we do not propose even then to do so, till we bring the scheme as enacted by the Canadian Parliament, and enable you to vote in your separate classes, and decide as you please. I think no scheme could be more prudent—have greater regard for the rights of each class of security, or be brought forward in a more fair and honest manner. The question is, whether you choose to give your consent to the powers we seek. One gentleman proposes we should adjourn the consideration of the question; and Mr. Smith's amendment goes to deal with that part of the subject which involves the conversion of the postal and military bonds. I don't think I could honestly ask Mr. Hankey and the other equipment mortgage bondholders to go into the scheme, they knowing there was going to be a pre-preference, unless the postal and military revenue was part of the whole affair. I believe that the postal and military revenue will in a few years amount to as much as the difference between the £30,000 and the £102,000. If that is so there will be no pre-preference, and I don't think in that sense there will be. But if that postal and military money is not be thrown into the pot, if Mr. Hankey is not to be secured by having a claim on the postal and military as well as the other moneys of the Company, I don't think I ought to ask him to go in without telling him, in that case there may be a pre-preference. Therefore, if the first part of the resolution is negatived, I shall ask you in common justice to divide the equipment mortgage bonds into two classes, No. 1 and No. 2, giving the former to the present equipment mortgage bondholders. But if you will allow us to make this arrangement and throw all the postal and military revenue into the same pot for the protection of the equipment mortgage bondholders,

then I shall be able to ask them—being placed in no worse, but in rather a better position—to allow of the arrangement. Mr. Smith will see the difficulty I feel in dealing with this scheme except in its entirety. If Mr. Smith's amendment is carried I should propose to alter the remainder of the resolution, to raise equipment mortgage bonds No. 2 as part of the first one million. But the question rests with you. If you, acting in the general interests of the concern, will permit us to obtain this legislation, well and good; but if you think that on the whole it is better not, we shall bow to your decision, and we shall think, very likely, that you have come to a better conclusion than ourselves. A word or two now with reference to an apparent impression, that not only has the policy of the Directors been unsuccessful, but that to some extent we have been incompetent. Now, on that point we must call to your minds all the circumstances of the past five years, which are such as no men who have managed railways ever went through before, and I hope will never go through again. I hope on the whole you will consider we have been successful. Whether successful or unsuccessful I can assure you that for your Directors it has been very hard and anxious work. (Hear, hear.) But I think we can point to a considerable improvement of your affairs. Even those who are most fond of saying hard things with regard to the concern, and with regard to us, admit that under our management the integrity of the property has been protected, and that the *corpus* of the undertaking is in a better state than when we took the management. (Hear, hear.) I know that it is so, and if we have been able to do that, notwithstanding the enormous difficulties we have had to contend with, I think we are hardly deserving some of the hard things which are occasionally said. (Hear, hear.) But I quite sympathise with the remark—I have made it myself in private and in public—that when the Directors and the bond and shareholders in a concern like this don't quite take the same views, the bond and shareholders should try the infusion of a little new blood into the undertaking. You will have the opportunity at the meeting next April, or sooner if you like, to make any alteration in the board. Every one knows that so far as I am concerned my seat is at your disposal whenever you please. (Cries of "No, no.") So long as I am in the concern I will give you that advice which my judgment tells me is judicious. I will work as hard as I can, and leave no stone unturned to restore and improve this property.

It is entirely a question of confidence; you are the constituent body, we are your servants. When you like to change you have the power, and you certainly shall not find any resistance in me to your carrying out that which you think best for you and best for the undertaking. There is one important question to which I have not alluded. We have still a depreciated American currency. That question, which is so difficult to deal with, keeps recurring, so that many gentlemen have it upon their minds whether, under the circumstances, as we are doing a great deal of work in carrying through traffic which does not, they think, pay sufficient profit—(hear, hear)—it might not be possible to decline some of that traffic. I am very anxious that this question should be settled satisfactorily to the minds of the bond and share holders. So I will tell you what I have done, with the concurrence of the board and of Mr. Brydges. I have asked Captain Tyler whether he will go with me next August to America, and make a report to the Board of his opinion with regard to the working of this "through traffic." (Cheers.) I have not quite got the promise of Captain Tyler that he will comply with that request from the board and myself, but I think if this meeting endorses that request Captain Tyler may be induced to give us the advantage of his very large experience. (Cheers.) Coming now to the question I have to submit to you, which is whether the board are wrong in their suggestion, I will, in conclusion, say I don't think we could have taken a fairer course. I believe it will be satisfactory to you, and I am sure Captain Tyler's assistance will be welcome and valuable to us. I hope, therefore, you will agree to the suggestion I have made. I will now put the resolution, first submitting to you Mr. Smith's amendment.

In reply to a question, the CHAIRMAN explained that the postal and military bonds were almost in perpetuity, being for 500 years. The equipment bonds were for 15 years.

The amendment of Mr. Smith was then put to the meeting and was lost by a large majority, eleven hands only being held up in its favour.

Mr. HANKEY inquired whether in the proposed bill the Directors would not consent to allow the new equipment bonds to be described as equipment bonds No. 2?

The CHAIRMAN stated that what he had meant was that if the amendment of Mr. Smith had been carried he should have been willing to have had the bonds so described, but he said that the fullest opportunity would be given to equipment mort-

gage bondholders to look through the copy of the bill before it was sent to Canada, and that any reasonable proposition which could be suggested for their protection would be favourably considered by the directors.

The amendment for the adjournment was then put to the meeting, and was also negatived by a large majority, eight hands only being held up in its favour.

The original resolution was then put, the Chairman stating that objection having been taken to changing the name of the Company, he did not intend to press that clause at present. The resolution, with this alteration, was carried by an overwhelming majority, there being only nine dissentients.

On the suggestion of Mr. CREAK,

The CHAIRMAN requested a show of hands, with the view of testing the feeling of the meeting in reference to his suggestion as to Captain Tyler accompanying him to Canada in the autumn, and the result showed that it met with unanimous approval.

Mr. SMITH then proposed, which was seconded by Mr. RITTER, a cordial vote of thanks to the president and the Directors; and the same having been unanimously carried, the meeting separated.